

INFORMATION REPORT INFORMATION REPORT
CENTRAL INTELLIGENCE AGENCY 50X1-HUM

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1. It has now been publicly announced that the Congress of the Union of Communists of Yugoslavia (UCY) will begin on 7 December 1964. The Congress was to have taken place in the spring of 1964, but was postponed, first to early November and then to the date announced publicly about the end of September. The several postponements were caused in part by difficulties encountered in the organization of pre-Congress meetings, but primarily by the strong differences of opinion among members of the UCY, both within the Central Committee and on the periphery in the various federated republics of Yugoslavia.
2. Koca Popovic, one of the most faithful followers of Edvard Kardelj, has encountered no small difficulty and resistance among other Communist top officials who were supposed to collaborate with him on the important "working papers" for the Congress. He was ordered by Marshal Tito to carry out this task of "directing and coordinating" the preliminary work. Since the beginning of the year, Popovic has neglected his duties as State Secretary for Foreign Affairs to stay at the side of the President of the Republic, who is also Secretary General of the UCY. The role of the Party, the autonomy within the sphere of social and workers' self-management, and questions on planning are said to be the points about which Congress discussions will primarily revolve. In this respect, particular

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attention should be paid to the position taken by the Croatian Communist leader, Vladimir Bakaric, in September at a meeting of the Zagreb City Committee of the UCY. To many observers his comments seem sensational; in reality, they are not. Bakaric interpreted the thinking of a large majority of the members of the Central Committees, federal and republic, of the UCY, on the opportunities for the following action:

- a. To give new life to the UCY, by stabilizing its effective role as guide in all of the political, economic and social life of the country. (The chaos pervading Yugoslavia today is interpreted by the Communists as a logical consequence of the virtual non-existence of the Party, which is the indispensable instrument of contact between the power and the people. Actually, this gap noted in Yugoslavia would be of grave concern even in countries with parliamentary democracies.)
- b. To carry out completely the Yugoslav principles of the decentralization of power, autonomy and self-management, eliminating all intrusive items remaining from the so-called "Administration" -- that is, the State (specifically, the federation).

And, as a logical corollary,

- c. To suppress the centralized development plan. On this point, the policy is not yet very clear; it is not known, for example, whether the majority tendency is to eliminate planning in general, or whether the aim is to make a broad, general statement of policy, leaving to the individual republics or industrial enterprises complete liberty of action. It should be noted, in this regard, that recent decisions adopted by the Federal Assembly anticipate the most complete industrial autonomy in matters relating to the use of funds for modernization, plant expansion, etc. It is no longer up to the Federal Authorities to provide for financing in the industrial sectors and other branches of the economy; also, enterprises are exempt from the payment of fiscal obligations to the state for this purpose. The Federal Authorities may adopt economic and social measures where these are lacking and intervene in other legal matters, particularly in regions and areas which are sparsely developed or depressed.
- d. To rejuvenate the "directing cadres", through the elimination of the "old Communists who are not able to find their place in the new Yugoslav society, who are not capable of expressing new things and who, consequently, are no longer Communists."

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3. It is most probable that the Yugoslav economic problems will also have a position of primary importance at the Congress. The situation in this area is rather precarious, according to the views vaguely expressed by all who are responsible for public matters and by the press, which does not hesitate to adopt bold, and frequently not very conformist, positions. The difficulties appear to be almost insurmountable without foreign aid. The following is the opinion on this matter stated reservedly by leaders of the communal administration, the UCY, and the naval shipyard in Split: "Yugoslavia will be completely bankrupt unless she can obtain significant financial assistance from the West within the next six months." These officials were in Belgrade at the beginning of September to petition for a grant to cover the anticipated financing necessary for the acquisition of some of the parts to be used in the construction of merchant vessels by the Split shipyard for the Soviet Union. The competent federal authorities turned down the request, basing their decision on a "lack of funds".
4. The Federal Investment Bank has requested the financial participation by several Western countries, including Italy, in new industrial enterprises in the field of aluminum. The director of the bank proposed, among other forms of participation, the formation of a joint corporation [redacted]. In response to a request for clarification as to whether this open collaboration with the "capitalist system" was not incompatible with the principles of Yugoslav Communism, he replied: "Such collaboration is not forbidden by the Yugoslav Constitution." 50X1-HUM
5. The Congress is also due to consider possible amendments to the UCY Statutes. The most important of these amendments is that which pertains to the Church. In the new version, the section which affirms the incompatibility of the religious profession with membership in the UCY is being suppressed. The question, passed on the sly, has come to the surface in the past few days in debates within Party cells. Officially, this suppression is justified by the fact that the program of the UCY is precise and explicit in this matter. It is forbidden for a member of the UCY itself to profess a religion; thus it is not believed necessary to reaffirm this fundamental principle in the Statutes. In reality, it is believed that the Yugoslavs wish to amend this part of the Statutes in order to reinforce their position in negotiations under way with the Vatican and to make peace, or better, not to prejudice their policies with regard to the nonaligned countries of Asia and Africa, whose populations do not appear to be disposed to follow the communist path towards atheism. Also, the new domestic ferment and revival of worship, especially among the Catholics, may have exercised a certain amount of influence in orienting the Yugoslav Communist leaders, in particular Koca Popovic, who, it is believed, more than any other has contributed to the revision of the Statutes. 50X1-HUM
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